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SUBJECT: INDIAN OBSERVERS (MOSTLY) THINK NUCLEAR DEAL WILL  
GO THROUGH DESPITE GUJARAT LOSS

11. (SBU) Summary: Gathered at a December 26 roundtable, politicians and journalists largely agreed that the UPA government will still complete the nuclear deal despite the Congress Party's overwhelming loss in the Gujarat state elections, but differed on the process and reasoning. Member of Parliament (MP) Dinesh Trivedi expected a decisive moment in January 2008, but Raashid Alvi, an MP from the Congress Party, expected the government to continue stalling if nothing happened in January. Harish Khare of the Hindu outlined a timetable in which the Congress Party would challenge the Left in March 2008 to take the deal or leave it, prompting the Left to withdraw and early elections in October 2008. While some observers, such as Pankaj Vohra of the Hindustan Times, thought the Gujarat election had little implications for national politics, others like Saba Bhaumik of Outlook Magazine warned that the Congress Party may not have such an easy time in upcoming state elections in Rajasthan and Madhya Pradesh. End Summary.

Nuclear Deal Will (Probably) Still Go Through

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12. (SBU) Politicians and journalists gathered for a December 26 roundtable largely agreed that the UPA government will conclude the nuclear deal in 2008. "The government needs a big idea before the next election so that it could show that it will stand up to the Left," offered Pioneer correspondent Ashok Malik. Saba Naqvi Bhaumik, Outlook Magazine Bureau Chief, agreed, noting that without the nuclear deal "the Congress Party is not clear on anything." "The deal will go through by addressing the Left concerns to some degree," stated Hindustan Times Political Editor Pankaj Vohra. Harish Khare, Senior Associate Editor of The Hindu, outlined a scenario in which the Congress Party introduced a populist budget in Parliament at the end of February, and then told the Left to "take it or shove it," at which point the Left would withdraw support, prompting elections in October. "It's shocking we're in agreement," Malik quipped. Most of the analysts agreed generally with this scenario -- a budget with something in it for everyone, a confrontation with the Left, and elections in Fall 2008.

13. (SBU) Member of Parliament (MP) Dinesh Trivedi opined that the government will make some sort of statement in the next three weeks which would force early elections to take advantage of a Left still debilitated by the Nandigram incident. Trivedi predicted that the Left could lose around 25 seats in West Bengal, where his Trinamool Congress Party competes with the Communist Party of India (Marxist) (CPM).

Congress Party MP Raashid Alvi, however, warned that if nothing happened by the end of January, the nuclear deal could languish. Alvi reiterated the Congress Party's commitment to complete the nuclear initiative through a "midway" process with the Left, but he also warned that building consensus between the UPA and Left could take longer than the U.S. would like. Of all ten participants, only Alvi believed that the UPA would last the full term.

#### Gujarat Result Does Not Reflect the Deal

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¶4. (SBU) Most of the commentators recognized that voters in Gujarat made their choice based on the development priorities of Chief Minister Narendra Modi, and as a result, the BJP victory does not reflect how Indians feel about the nuclear issue. In fact, noted Trivedi, "if anyone wanted a nuclear deal, it would have been the Gujaratis who have strong connections with the U.S." Swapan Dasgupta, who followed the Gujarat elections for the BJP-oriented The Pioneer, related that Modi never discussed the nuclear deal. "He would not be adverse to it," Dasgupta guessed, but cautioned that the 2005 rejection of a U.S. visa for Modi made any mention about the nuclear deal by Modi fraught with politics.

#### National Elections Could Compel the Congress to Push the Deal Through

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¶5. (SBU) Once the Congress Party focuses on the next national elections, Bhaumik predicted that it would want to retain urban, middle-class voters it stole from the BJP in the 2004 elections by finishing the nuclear initiative. Dasgupta

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pointed out that the next election will be the first conducted according to the 2000 census, which shifted the balance of Parliament seats to urban areas, making the cities even more important. Strong relations with the U.S. enjoy overwhelming support in the urban middle-class which has grown politically significant, Dasgupta continued. But Bhaumik countered that the urban poor care little about foreign policy.

#### The Allies Still Have the Power To Stall

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¶6. (SBU) Asked how the Gujarat election impacts the UPA allies, most agreed that they will do everything possible not to let the government fall. "The Congress Party is isolated in government," observed Malik. However, Alvi reminded that all the UPA allies pronounced their support for the nuclear deal during the winter session of Parliament. Vohra countered that they had also supported the 123 Agreement as members of the Cabinet Committee, but equivocated in October when it looked like the government might collapse.

#### Congress: What Does it Stand For?

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¶7. (SBU) Rajiv Desai, who is reportedly close to the Congress Party's leadership, was scathing in his criticism of the Congress Party's performance in Gujarat. He felt it was a "comprehensive rejection" of the party's policies and electoral agenda and strategy. According to him, voters in Gujarat (and elsewhere in the country) are questioning whether the Congress stands for anything. He felt that the party needs to show some backbone in its dealing with the Left, its UPA allies and its opponents like Narendra Modi if it is to make a comeback. He contrasted the Congress Party's floundering on message and waffling on the US-India civil nuclear agreement to the firm, consistent and uncompromising stand Modi took on the election issues.

#### BJP: Boost in the Near Term

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¶18. (SBU) Dasgupta believes that the Gujarat election results would be a strong morale booster for the BJP in the short term, but whether the momentum would continue into the national elections depends on the timing of the elections and whether other developments in the interim weaken the resonance from the Gujarat elections. Most of the analysts see a clear BJP victory in Himachal Pradesh, where election results are due on December 28. They expect a strong BJP performance in Karnataka, where the state assembly was dissolved in November and are in the February-March timeframe. After that, however, the going starts getting tough for the BJP. It stands to lose ground in Madhya Pradesh, Rajasthan and Chhattisgarh, where elections are due in 2008. Poor BJP performance in these states may dull some of the shine off the Gujarat victory. Bhaumik, however, warned that the Congress Party may not have such an easy time in upcoming state elections in Rajasthan and Madhya Pradesh.

Comment: Gujarat Means Everything and Nothing for the Deal

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¶19. (SBU) The lively discussion, during which simultaneous arguments and debates broke out at opposite ends of the table at several times, hides the fact that the participants surprisingly agreed that the government would finish the deal sooner -- as in 2008 -- rather than later. More worrisome, however, is that Congress MP Raashid Alvi expressed the gravest doubts that the deal would get done, while Congress insider Rajiv Desai expressed deep frustration with the Congress Party's clumsy politics. Still, the journalists, whether affiliated with the BJP or Congress Party, all thought that the Congress Party would jettison the Left at some point in the first quarter of 2008 and finish the nuclear initiative.

¶10. (SBU) Despite the commentators' optimism, post remains somewhat skeptical that the Congress Party has more guts now than before the Gujarat election. With Left leaders continuing to assert their anti-U.S., anti-nuclear stance in

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the press, we doubt that the Gujarat election has given the government more confidence to confront the Left. If the Congress Party had no spine before Gujarat, why would it have any vertebrae left after losing Gujarat? The commentators' general optimism could reflect that the Gujarat election ultimately has little impact on a strategy that the Congress Party concocted several months ago.

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